Subsidies on Kerosene and LPG

*397. SHRI RAASHID ALVI:
DR. T. SUBBARAMI REDDY:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether his Ministry has asked the Ministry of Finance to provide subsidies on PDS kerosene and domestic LPG in a transparent manner;

(b) whether he had asked the Minister of Finance to make higher annual provisions in the budget towards subsiding kerosene and LPG;

(c) if so, what are the other steps that the Ministry is considering to make oil subsidies transparent; and

(d) to what extent he has been able to achieve the aims?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) to (d) Yes, Sir. Government had notified the "PDS Kerosene and Domestic LPG Subsidy Scheme, 2002" for administering the post-Administered Pricing Mechanism (APM) subsidy on PDS Kerosene and Domestic LPG. As per the scheme, a flat rate of subsidy per selling unit is to be given to Public Sector Oil Marketing Companies (PSOMCs) equal to the difference between the cost price and the issue price per selling unit as on 31.3.2002. The OMCs were to adjust the Retail Selling Prices (RSP) of these products in line with international prices. However, in deference to Government directions, the price of PDS Kerosene has remained unchanged since March 2002, while only marginal increases have been made in the case of LPG, the last being in November, 2004. Since the end of 2003, there have been unprecedented, sharp and spiraling increases in international oil prices, combined with considerable week-to-week and even day-to-day volatility. In consequence, the retail prices of even petrol and diesel have been restrained. The Indian Basket of crude oil touched an all time high of US$ 62.11/bbl on 12.8.2005. Against the average Indian Crude Basket price of US$ 27.96/bbl during 2003-04 and US$ 39.21/bbl during 2004-05, the average for July 2005 was US$ 55.05/bbl. Keeping in view the interests of consumers, at the instance of Government, PSOMCs, did not increase the price of these sensititve products of public consumption in line with the international prices.

Thus, OMCs have suffered substantial under-recoveries on account of the continued and widening mismatch between domestic retail prices of PDS Kerosene and Domestic LPG, on the one hand, and international oil prices which have been relentlessly on rise, on the other, as also the mismatch since the beginning of 2004 between international and domestic retail prices of petrol and diesel. The estimated under-recoveries for 2003-04 on PDS Kerosene and Domestic LPG were Rs. 9,370 crore and in 2004-05 Rs. 17,720 crore. During the period April-June 2005, the estimated under-recoveries to OMCs was Rs. 4,800 crore on PDS Kerosene and Domestic LPG and Rs. 4,900 crore on petrol and diesel. In the full year of 2005-06, at current trends, under-recoveries could exceed Rs. 40,000 crore. The total losses suffered by OMCs, during the first quarter of the current financial year, notwithstanding the massive contribution of Rs. 3,257 crore from upstream companies like ONGC and OIL, as well as GAIL, are as under:

Profit/Loss after tax (PAT)

First Quarter 2005-06 (Rs./crore)

IOCL	(-) 54
HPCL	(-) 508
BPCL	(-) 431
IBP	(-) 234
TOTAL:	(-) 1227

As per provisional estimates, during the month of July, 2005 along, OMCs have suffered a total cash loss of Rs. 1,516 crore, though the upstream contribution as and when finalized, might bring down the net losses.

Government pricing policy attempts to strike the rights balance between the interests of the stake-holders, namely, consumers, OMCs and the Government so that the burden is equitably shared. Government is constantly monitoring the price situation with a view to implementing the appropriate remedial options. In this light, Government reduced the excise duty on Domestic LPG by 8 Per cent effective 16.6.2004. Effective

19.8.2004, the excise duty on domestic LPG was further reduced by 4 per cent. The Government also reduced customs duty by 5 per cent each on PDS Kerosene and Domestic LPG with effect from 19.8.2004. In the Budget 2005-06, custom duty on domestic LPG and PDS Kerosene was reduced from 5 per cent to Nil and excise duty on these products was reduced to Nil.

Meanwhile, to ensure availability of kerosene and reduce diversion, Government have approved an innovating pilot project for radically revamping the PDS kerosene distribution network with the primary objective of ensuring that this heavily subsidized product is actually made available in the required quantities at subsidized prices to the intended beneficiaries; and, secondly, to thus cap, revese and eventually eliminate the diversion of PDS kerosene for adulteration. The pilot project is to be implemented in 10 per cent of the blocks of the country for a period of six months. Thereafter, the working of the scheme would be independently assessed and, based on the experience gained, Government will consider scaling up the scheme to cover the entire country. It has hoped that the implementation of this project will lead to a significant breakthrough in the delivery of subsidized SKO to the entitled segments of society and thus contribute to the curbing diversion for adulteration.

Government is constantly monitoring the price situation with a view to implementing the appropriate remedial options including making the subsidies transparent.

World Heritage Sites

*398. SHRI GIREESH KUMAR SANGHI: Will the Minister of TOURISM be pleased to state:

(a) the details of revenue earned by each prominent and World Heritage Sites and the amount spent for their maintenance and renovation every year;

(b) the steps taken by Government to attract more tourists, both domestic and foriegn, to the tourist sites in the current year; and

(c) whether such steps have yielded the desired results?

THE MINISTER OF STATE OF THE MINISTRY OF TOURISM (SHRIMATI RENUKA CHOWDHURY): (a) The details of revenue earned